

Internal Control Assessment Notification of the Intent to Refer to Credit Bureaus

Purpose

To ensure that FSA's internal control policies and standards regarding the issuance of demand letters fulfill requirements established by OMB Circular A-129.

Background

In accordance with OMB Circular A-129, FSA must send demand letters to its debtors as soon as an account becomes delinquent. The demand letter notifies debtors of each form of collection action and type of financial penalty that FSA intends to use in the event a debt is not repaid. Additional demand letters may be sent if necessary.

For consumer accounts, the first demand letter or initial billing notice must include a 60-day advance written notification of FSA's intention to report to credit bureaus if the account becomes past due. Once the 60-day period has passed, FSA must initiate reporting if the delinquent account has not been resolved. The advance 60-day notification requirement is not required for commercial debts.

Internal Control Standard

FSA must provide consumer debtors a 60-day advance written notification of its intention to report delinquent debt information to credit bureaus.

Assessment of FSA's Compliance^{*}

We selectively sampled delinquent consumer debt accounts and determined that 60-day advance written notification of FSA's intention to report delinquent consumer debts to credit bureaus was being issued.

^{*} The actual testing phase including interviews and examination of sampled records has not yet occurred. This write up is only a sample of what may be discovered during the testing phase of the FMFIA process.